MANITOBA

ANNUAL REPORT

1982-83

Manitoba Development Corporation

MANITOBA DEVELOPMENT CORPORATION

ANNUAL REPORT

March 31st, 1983

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MANITOBA DEVELOPMENT CORPORATION

April 30, 1984.

Honourable Eugene Kostyra,
Minister Responsible for the Administration of
The Development Corporation Act.

In accordance with the provisions of Part I and Part II of The Development Corporation Act, enclosed is the report on the operations and activities of the Manitoba Development Corporation during the fiscal year ended March 31, 1983.

Respectfully submitted on
behalf of the Board of Directors.

H.J. Jones,
Chairman and General Manager.

600 POWER BUILDING, 428 PORTAGE AVE., WINNIPEG, MANITOBA R3C 0E4 . TELEPHONE (204) 949-1844

REPORT OF THE CHAIRMAN AND GENERAL MANAGER

I report once again that as the financing activities of the Manitoba Development Corporation were suspended on November 15th, 1977, no approvals were provided by the Board of Directors under Part I of The Development Corporation Act for the fiscal year ended March 31st, 1983.

Under Part II of the Act, Orders-in-Council provided the authority for the Corporation to lend Tantalum Mining Corporation the sum of $1,000,000 and Winnipeg Racing Ltd. $750,000. In addition $5,000,000 has been made available for loans to tourism businesses eligible for Destination Manitoba assistance. The Corporation undertakes to analyze and recommend assistance for expansion or development of tourism businesses eligible under the Destination Manitoba Program. All administration costs incurred by the Corporation are recoverable.

During the fiscal year, A.E. McKenzie Co. Ltd. was refinanced by means of a $7,000,000 loan and a $5,000,000 investment in preferred shares.

As at March 31st, 1983, there were 20 loan accounts outstanding with a net amount owing of $9,766,216 compared to 25 accounts, at the previous year end for a total of $10,867,332.

The loan portfolio is considered current with only one exception.

H.J. Jones,
Chairman and General Manager.

April, 1984

Directors and Officers
at March 31, 1983

Board of Directors

HUGH JONES, Chairman and General Manager

WILLIAM BENNETT

GEORGE DRAM

DAVID EPP

JAMES E. GOODMAN

ARNOLD MORBERG

J. ANGUS SPENCE

Officers

HUGH JONES, Chairman and General Manager

ALEC Y. MUSGROVE, Assistant General Manager
and Treasurer

GREG. M. GOODWIN, Secretary

MANITOBA

PROVINCE OF MANITOBA
PROVINCIAL AUDITOR

MANITOBA DEVELOPMENT CORPORATION

REPORT OF THE PROVINCIAL AUDITOR'S OFFICE

We have examined the financial statements, being the Balance Sheet, Statement of Operations, Statement of Deficit and Schedules 1 to 4, of the Manitoba Development Corporation for the fiscal year ended March 31, 1983. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

The total income shown on the Statement of Operations in the amount of $3,837,484 includes $1,772,054 of interest received or receivable from the Province of Manitoba on account of trust deposits of the Corporation's surplus funds pertaining to Part I operations.

In our opinion, these financial statements, together with the comments in the preceding paragraph, present fairly the financial position of the Manitoba Development Corporation as at March 31, 1983 and the results of its operations for the year then ended in accordance with the accounting policies stated in note 1 to the financial statements applied on a basis consistent with that of the preceding year.

W. K. Ziprick, C.A.,
Provincial Auditor.

July 18, 1983,
Winnipeg, Manitoba.

ASSETS

	1983	1982
Part I		
Cash in bank	$ 146,252	$ 85,761
Short term deposits with the Province of Manitoba	16,352,017	12,259,864
Recoverable from the Province of Manitoba:		
Interest on advances under Part II	24,046	570,904
Costs re The Pas Forestry Complex (Note 3(c))	3,696	16,951
Costs re Destination Manitoba (Note 6)	35,642	-
	63,384	587,855
Loans receivable, less allowance for doubtful accounts, Schedule 3	9,766,216	10,867,332
Equity investments and related loan receivable, Schedule 1, less allowance for potential losses, Schedule 3	8,209,598	11,818,927
Properties held for resale, at the lower of cost or estimated realizable value	212,159	235,401
Office furniture at cost less accumulated depreciation $53,643 (1982 - $55,285)	2,260	2,962
	$ 34,751,886	$ 35,858,102
Part II		
Loans receivable authorized by the Province of Manitoba under Part II of the Development Corporation Act:		
Principal	$ 3,475,000	$ 4,487,500
Interest	22,688	693,411
Equity investments and related loans receivable authorized by the Province of Manitoba under Part II of the Development Corporation Act, Schedule 4	12,507,550	-
	$ 16,005,238	$ 5,180,911

SIGNED ON BEHALF OF THE BOARD

_____ Director

_____ Director

LIABILITIES

	1983	1982
Part I		
Accounts payable	$ 68,974	$ 6,464
Amount due to the Communities Economic Development Fund (Note 4(b))	464,889	171,400
	533,863	177,864

SHAREHOLDER'S EQUITY

Capital Stock:		
Authorized:		
500,000 shares, par value $100 each issued and fully paid 500,000 shares	50,000,000	50,000,000
Deficit	(15,781,977)	(14,319,762)
	34,218,023	35,680,238
	$ 34,751,886	$ 35,858,102
Part II		
Accounts payable	$ 401,471	$ 693,411
Advances from the Province of Manitoba under Part II of the Development Corporation Act	15,603,767	4,487,500
	$ 16,005,238	$ 5,180,911

MANITOBA DEVELOPMENT CORPORATION

Statement of Operations
for the year ended March 31, 1983

	1983	1982
Income:		
Interest:		
Loans - Part I	$ 1,318,658	$ 1,459,358
- Part II	700,607	572,039
Term deposits	1,772,054	1,930,586
	3,791,319	3,961,983
Rental income - net	10,523	11,709
Destination Manitoba cost recoveries (Note 6)	35,642	-
Grants received (Note 5)	-	8,718
	3,837,484	3,982,410
Expense:		
Interest - Province of Manitoba - Part II	700,607	572,039
Salaries (Note 4)	73,923	39,282
Other expenses (Note 4)	172,492	156,655
Consultants' fees and expenses re: transportation studies (Note 5)	131,533	177,281
	1,078,555	945,257
Net income before the following:	2,758,929	3,037,153
Provision for doubtful accounts and potential losses on investments, Schedule 3	3,233,128	(2,245,900)
Net (loss) income for the year	(474,199)	5,283,053
Less: Subsidy to the Communities Economic Development Fund (Note 4(b))	988,016	818,807
Transfer to Deficit	$(1,462,215)	$ 4,464,246

MANITOBA DEVELOPMENT CORPORATION

Statement of Deficit
for the year ended March 31, 1983

	1983	1982
Balance - beginning of year	$ 14,319,762	$ 18,784,008
Transfer from operations	(1,462,215)	4,464,246
Balance - end of year	$ 15,781,977	$ 14,319,762

Schedule 1

MANITOBA DEVELOPMENT CORPORATION

Part I Equity Investments and Related Loan Receivable
as at March 31, 1983

	Shares Issued and Outstanding	Shares owned by the Manitoba Development Corporation	Equity Investments	Loan Receivable
William Clare (Manitoba) Ltd.				
Equity investment-nominal value				
Common shares	100	100	$ 1	
Flyer Industries Limited				
Equity investment-at cost				
Preferred shares	10,000,000	9,682,000	9,682,000	
Common shares	552,883	552,563	16,750,106	
Loan receivable				$ 2,067,502
			$ 26,432,107	$ 2,067,502
Summary:				
Equity investments				$ 26,432,107
Loan receivable				2,067,502
				28,499,609
Less: Allowance for potential losses, Schedule 3				20,290,011
Equity investments and related loan receivable - net				$ 8,209,598

Schedule 2

MANITOBA DEVELOPMENT CORPORATION

Part I Account in Receivership
as at March 31, 1983

	1983	1982
Saunders Aircraft Corporation Limited	$ 100	$ 100
Less: Allowance for estimated losses, Schedule 3	100	100
Account in receivership - net	$ -	$ -

Schedule 3

MANITOBA DEVELOPMENT CORPORATION

Part I Allowance for Doubtful Accounts and Potential Losses on Investments for the year ended March 31, 1983

	Balance March 31, 1982	Add: Provision	Less: Write-offs	Balance March 31, 1983
Loans receivable	$ 506,900	$ 43,117	$ 357,009	$ 193,008
Equity investment and related loan receivable, Schedule 1	17,100,000	3,190,011	-	20,290,011
Account in receivership, Schedule 2	100	-	-	100
	$ 17,607,000	$ 3,233,128	$ 357,009	$ 20,483,119

Schedule 4

MANITOBA DEVELOPMENT CORPORATION

Part II Equity Investments and Related Loans Receivable as at March 31, 1983

	Shares Issued and Outstanding	Shares owned by the Manitoba Development Corporation	Equity Investments	Loans Receivable
A. E. McKenzie Co. Ltd.				
Equity investment - at cost				
Preferred shares	5,000,000	5,000,000	$ 5,000,000	
Common shares	1,145	-	-	
Loan receivable:				
Principal				$ 7,000,000
Interest				377,425
Winnipeg Racing Ltd.				
Equity investment - at cost				
Class "A"	100	100	100	
Loan receivable:				
Principal				128,667
Interest				1,358
			$ 5,000,100	$ 7,507,450
Summary:				
Equity investments				$ 5,000,100
Loans receivable				7,507,450
Equity investments and related loans receivable				$ 12,507,550

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements
March 31, 1983

1. Accounting Policies:

(a) The Corporation's lending and guaranteeing activities undertaken on its initiative are under Part I of The Development Corporation Act and are subject to the limitations outlined in note 2; the activities undertaken on the initiative of the Government are under Part II of the Act. In accordance with the Act, the activities under Part I and Part II are accounted for separately.

On the basis that Part II activities are initiated and funded by the Government, the Corporation accounts for these activities on an agency basis. Accordingly, no provisions for doubtful accounts and potential losses on investments are reflected in Part II. Appropriate provisions are reflected in the accounts of the Province of Manitoba.

(b) An accrual basis of accounting is being followed except for (e) below.

(c) The Corporation's financial statements do not include the accounts of its two subsidiary companies on a consolidated basis.

The Corporation's investment in Flyer Industries Limited is shown at cost less an allowance which approximates the accumulated deficit of that company as reported in its audited financial statements for the year ended December 31, 1982.

The Corporation's investment in William Clare (Manitoba) Limited is shown at a nominal value of $1.

(d) The allowance for doubtful accounts, i.e., possible losses on loans to borrowers wherein the Corporation does not have an equity investment, has been determined on an individual account basis.

(e) The officers and employees of the Corporation are not members of the Civil Service of the Government of Manitoba, but they contribute to and are pensionable under the Civil Service Superannuation Fund. In accordance with the provision of the Manitoba Civil Service Superannuation Act, the Corporation contributes 50% of the pension disbursement made to retired employees. Such payments are charged to operations as incurred and provision is not made in the accounts to fund current or past service obligations to the Superannuation Fund. On the basis of an actuarial report, the unfunded liability for the Corporation's employees amounted to $131,463 as at December 31, 1982.

(f) Salaries and other expenses are subject to sharing with the Communities Economic Development Fund in accordance with the terms disclosed in note 4.

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements
March 31, 1983

2. Lending Operations:

The Corporation's lending operations were suspended effective November 15, 1977 except that, since that date, on the direction of the Government of Manitoba both Part I and Part II guarantee commitments have been issued, and Part II loan commitments have been made. Guarantees and Part II loan commitments outstanding are included in note 3.

3. Contingent Liabilities and Commitments:

	March 31 1983	March 31 1982
(a) Contingent Liabilities:		
Part I Contingent liability as guarantor for bank loans to borrowers as follows:		
A.E. McKenzie Co. Ltd.	$ -	$ 5,500,000
Flyer Industries Limited	-	3,000,000
	$ -	$ 8,500,000
(b) Commitments:		
Part I Contractual commitments for professional services	$ -	$ 126,559
Part II Commitment - undisbursed balances of approved loans:		
Manitoba Mineral Resources Ltd.	$ 2,985,000	$ 2,985,000
Canadian Co-operative Implements Ltd.	-	1,487,500
Winnipeg Racing Ltd.	609,403	-
Tantalum Mining Corp.	500,000	-
	$ 4,094,403	$ 4,472,500

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements
March 31, 1983

(c) The Pas Forestry Complex

In accordance with the terms of an agreement dated March 25, 1975, between Manitoba Forestry Resources Ltd., the Province of Manitoba and the Corporation, the Corporation has a continuing responsibility to press all claims in connection with the affairs of the several companies comprising The Pas Forestry Complex or the assets of the Complex, which were transferred to Manitoba Forestry Resources Ltd., and also to defend claims in respect to those assets. All costs incurred by the Corporation in respect of such claims will be reimbursed by the Province of Manitoba.

(d) Saunders Aircraft Corporation Limited

By Order-in-Council, previous capital advances of the Province of Manitoba to the Manitoba Development Corporation regarding Saunders Aircraft Corporation Limited were converted to conditional grants. In accordance with the conditions of this conversion, the net proceeds from the disposal of Saunders' assets are payable to the Province of Manitoba.

During the year $750,000 was released to the Province of Manitoba on condition M.D.C. indemnify the Receiver-Manager for expenses, losses or damages incurred as Receiver-Manager including product support. The Receiver-Manager has retained sufficient funds to cover future administrative costs. No provision has been recorded in the Corporation's accounts regarding potential claims.

(e) Litigation

The Corporation is named as defendant regarding a former loan application. The claim for general damages in the amount of $2 million, special damages, and costs of the action are being defended by legal counsel of the Corporation. No provision has been recorded in the Corporation's accounts regarding this claim.

4. Administration of the Corporation:

(a) The Manitoba Development Corporation is jointly administered with the Communities Economic Development Fund. Common administrative expenses are paid by the Fund except for rent and utility costs which are paid by the Corporation.

(b) The Manitoba Development Corporation provides the subsidy assistance required by the Communities Economic Development Fund to the extent of the Fund's excess of expense over income.

MANITOBA DEVELOPMENT CORPORATION

Notes to Financial Statements
March 31, 1983

5. Transportation Studies:

Commencing in the previous year, the Corporation undertook certain transportation studies in other countries. These studies are considered to have potential direct benefits to both Canada and the Province of Manitoba, and on this basis, applications for cost-sharing with Canada are in process.

As at March 31, 1983 $308,814 has been expended on transportation studies. The Corporation in the previous year recovered $8,718 through grant assistance from Canada towards these costs. Subsequent to March 31, 1983 a further $185,925 has been received from Canada as a first installment on a potential contribution of $248,000 depending on Canada's review of the Corporation's application.

6. Destination Manitoba Program:

The Rural Tourism Industry Incentive Program (Destination Manitoba) is a Federal/Provincial cost shared program under the Canada/Manitoba Subsidiary Agreement on Tourism Development. The Corporation, under the authority of Part II of The Development Corporation Act, acts as the agent of government in administering this program. The program is directed at the establishment and upgrading of rural tourist facilities by way of loan assistance for capital projects. As at March 31, 1983 no loan approvals have been finalized.

Under an arrangement with the Department of Economic Development and Tourism, the Corporation is entitled to recover direct and indirect costs that it incurs in administering the program. Because certain aspects of the arrangement have not been finalized only the direct costs have been reflected as a recoverable amount in the financial statements.

MANITOBA DEVELOPMENT CORPORATION

Report of Assistance Granted or to be Granted
for the year ended March 31, 1983

Assistance approved under Part II of the Development Corporation Act

A. E. McKENZIE CO. LTD.	
Loan - interest rate at the Province's long term borrowing rate - 20 year term	$ 7,000,000
Investment - purchase of 6% cumulative, redeemable, convertible preferred shares	$ 5,000,000
TANTALUM MINING CORPORATION	
Loan - interest rate at bank prime - repayable on demand	$ 1,000,000
WINNIPEG RACING LTD.	
Loan - interest rate at bank prime - repayable on demand	$ 750,000
Investment - purchase of Class A Common shares	$ 100

AUDITOR'S REPORT

The foregoing report has been prepared by the officials of the Manitoba Development Corporation and checked by my representatives with the records of the Corporation which have been audited by us. In our opinion this report reflects the assistance granted or committed to be granted by the Corporation for the year ended March 31, 1983.

W. K. Ziprick, C.A.,
Provincial Auditor.

July 18, 1983,
Winnipeg, Manitoba.